

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**CORRECTED  
FISCAL NOTE**

**HB 2264 - SB 2290**

March 24, 2009

**SUMMARY OF BILL:** Changes the definitions of passive investment income, industrial and commercial property, farm property, residential property, and tangible personal property, as they relate to the taxable incomes of certain family-owned non-corporate entities (FONCEs).

**ESTIMATED FISCAL IMPACT:**

On March 18, 2009, we issued a corrected fiscal note for this bill indicating an *increase to state revenue of \$25,000,000* per year. The fiscal estimate for the bill will not change. However, the Governor's FY09-10 Recommended Budget was released on March 23, 2009, and the revenue generated from this bill is included within the Governor's Recommended Budget.

**(CORRECTED)**

**Increase State Revenue – \$25,000,000**

**(Reflected in the Governor's FY09-10 Recommended Budget)**

Assumptions:

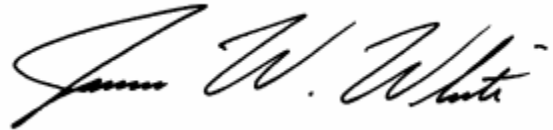
- This bill effectively removes the ability of certain FONCES to exclude certain corporate rental income from their respective taxable incomes. Inclusion of corporate rental income into taxable income is expected to increase franchise and excise tax collections.
- The fiscal impact of this bill is dependent upon several unknown factors such as the number of currently-existing FONCES, the number of FONCES that will reorganize as a result of this bill, the extent of real property owned by FONCES under current law, the extent that such properties will be sold or transferred as a result of this bill, the taxable incomes of FONCES under current law, and the taxable incomes of FONCES as a result of this bill.

**HB 2264 - SB 2290 (CORRECTED)**

- Determining a precise fiscal estimate for this bill is difficult due to the extent of unknown factors. Based on information provided by the Department of Revenue, the increase to state revenue is reasonably estimated to be \$25,000,000 per year.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director

/rnc